

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1944



NATIONAL BISCUIT COMPANY

NATIONAL BISCUIT COMPANY

449 West Fourteenth Street, New York

To the Stockholders:

Gross sales in 1944 were \$223,634,243 compared with \$199,063,850 in 1943.

Earnings before Taxes in 1944 were \$29,368,447 compared with \$24,806,866 in 1943.

Federal and Foreign Income and Excess Profits Taxes, after credit for post-war refund, in the year 1944 amounted to \$18,889,596 compared with \$14,209,504 in 1943.

Net earnings in the year 1944, after Taxes, were \$10,478,851 compared with \$10,597,362 in 1943.

The gross sales reported above, being \$24,570,393 greater than for 1943, represented another high for the Company, both in tonnage and dollars.

The earnings before Taxes were \$4,561,581 greater than last year, and represented a slightly higher percentage to sales. However, this increase was more than offset by the increase in Taxes, making the net

earnings \$118,511 lower than for 1943.

Credits for United States and Canadian Excess Profits Taxes refundable after the war are indicated in the Income Statement, but, instead of being carried to Earned Surplus, have been transferred to Post-War Contingent Reserve, as shown in the Balance Sheet.

Sales volume of our foreign subsidiaries was about the same as for 1943. Earnings from such sales were 10% of the Company's total net earnings.

For comparative purposes we continue to include the earnings from operations of our foreign subsidiaries at the former par of exchange, but reduce them to the current rates through the Foreign Exchange Adjustment Account, so that the net results are finally included in the Consolidated Income Statement in equivalent U. S. Dollars.

Foreign investments of the Company located in Canada and England are included in the Consolidated Balance Sheet and at the close of the year amounted to \$5,252,000. Operations in both countries were maintained throughout the year without serious interruptions. The Company continued its practice of withdrawing cash funds from these subsidiaries in amounts substantially equivalent to current earnings through permission granted by the fiscal authorities in both countries. In the case of the English subsidiary, such earnings are after provision for contingencies amounting to \$192,797 for 1944.

The Insurance and Contingent Reserve was reduced \$5,000,000 by transferring this amount to Earned Surplus. This transfer was made after giving careful consideration to the foreseeable requirements of the business.

The Plants, Real Estate, Machinery, Intangibles, etc. of the Company have heretofore been reported as one item in our Consolidated Balance Sheet. In order to clarify this account, we decided some time ago to separate the intangible from the tangible assets in-

cluded therein. Extensive studies were completed in 1944 and the accounts adjusted to accord with the results thereof. Intangibles included in the property account were determined to be \$14,369,629.74. We decided to write off the intangibles by charging \$9,656,013.54 to Capital Surplus, thus exhausting that account, and the balance of \$4,713,616.20 to Earned Surplus. The elimination of this amount from our accounts is not intended to indicate that the Company's properties are any less valuable than in the past.

Depreciation charged to 1944 operations, which was computed on the adjusted basis, does not differ materially from the depreciation provision for 1943.

During the year we have delivered a larger quantity of foods to the armed forces and other Government agencies than in 1943. Profits arising from Government contracts for 1943 have been examined by the Price Adjustment Board of the War Department, and since they were found to be not excessive, no adjustments for 1943 were necessary. We have no reason to believe that renegotiation of our

transactions with the Government during the year 1944 will have any material effect on the net earnings herein reported.

In October 1944 our New York Bakeries won for the third time the Army-Navy Production Award for high achievement in the production of biscuit and crackers, particularly Emergency Ration Biscuit for the Army and Navy. This renewal added a second White Star to the "E" flag which has flown above Nabisco's Manhattan plant since March 1943, when the original Award was presented.

As stated in previous reports, the nature of our business is such that inventories, both Raw Materials and Finished Product, can little exceed current needs, and the Company does not enter into future commitments at any time in such amount as to affect its financial position materially.

In 1930 we acquired the cracker and candy business of Bishop & Company, Los Angeles. The cracker portion was merged with our general business, but the candy was continued as a separate operation until September 30, 1944, when it was sold.

With the expansion in our civilian and government business we found it impossible to secure through the usual channels a sufficient supply of paper-board for cartons. To correct this condition we purchased in January 1944 a board mill located in Long Island City, N. Y. With this acquisition we have been able to meet the demands for cartons.

This was another year in which demand exceeded supply even though we produced a greater quantity of merchandise than last year. Government orders received first consideration, and the balance of the available merchandise was distributed as equitably as possible among our civilian customers.

That we were able to produce and deliver a greater volume than last year reflects the cooperative efforts of the entire organization.

The Consolidated Balance Sheet of the Company at December 31, 1944, and the Income and Surplus Statement on the following pages, show the financial condition of the Company at the close of its 47th year.

ROY E. TOMLINSON, *President.*

CONSOLIDATED

	ASSETS	
	December 31, 1944	December 31, 1943
Cash	\$18,513,701.52	\$13,549,024.07
U. S. Bonds (Quoted Market 12-31-44—\$21,766,831.10)	21,553,000.00	17,008,000.00
Other Bonds (Quoted Market 12-31-44—\$998,419.38) Note: \$566,500.00 Principal Amount U. S. and Other Bonds deposited for special reasons.	989,041.26	633,791.26
Accounts Receivable	6,131,053.68	6,503,202.20
Raw Materials, Supplies and Finished Product (At Cost or Market, whichever is lower, less Special Inventory Reserve of \$1,019,381.51 charged to prior earnings.)	24,936,752.99	25,649,275.84
Total Current Assets	72,123,549.45	63,343,293.37
Notes and Mortgages Receivable	119,858.49	140,502.57
Post-War Refund of Excess Profits Taxes (United States \$2,829,000.00; Canada \$352,326.18)	3,181,326.18	1,741,683.45
Plants, Real Estate, Machinery and Equipment (Note C) (At Cost, Less Allowances for Depreciation of \$39,877,476.93 at December 31, 1944.)	57,933,387.49	74,501,770.61
Prepaid Expenses and Deferred Charges	835,315.41	677,772.71
Total	<u>\$134,193,437.02</u>	<u>\$140,405,022.71</u>

NOTE: See comments in President's report regarding

(a) the Company's investments in and earnings of Subsidiaries in Canada and England.

(b) the Company's contracts with U. S. Government.

(c) intangibles of \$14,369,629.74 written off in 1944 included in this item in 1943.

BALANCE SHEET

LIABILITIES

	December 31, 1944	December 31, 1943
Accounts Payable	\$5,074,140.51	\$4,797,316.92
(Purchase Invoices, Pay Rolls and other Accruals not due for payment.)		
Common Dividend, Payable January 15, 1945	1,886,834.40	1,886,834.40
Reserve for Federal and Foreign Income and Excess Profits Taxes	23,214,683.77	16,727,561.88
Total Current Liabilities	30,175,658.68	23,411,713.20
Insurance and Contingent Reserve	3,370,117.72	8,171,217.54
Post-War Contingent Reserve	3,181,326.18	1,741,683.45
Capital Stock, Preferred	24,804,500.00	24,804,500.00
(Par Value \$100.00—7% Cumulative) Shares authorized 250,000, issued 248,045		
Capital Stock, Common	62,894,480.00	62,894,480.00
(Par Value \$10.00) Shares authorized 12,000,000, issued 6,289,448		
Earned Surplus	9,767,354.44	9,725,414.98
Capital Surplus (used in 1944 write-off of intangibles)	— — —	9,656,013.54
Total	\$134,193,437.02	\$140,405,022.71

CONSOLIDATED INCOME AND EARNED SURPLUS

YEAR—1944

Earnings for the year 1944:

From Operations	\$32,532,986.07	
Other Income	353,706.59	
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Total		\$32,886,692.66

Less:

Depreciation	3,320,937.12	
Provision for Federal and Foreign Income and Excess Profits Taxes (including \$13,260,000 Federal Excess Profits Tax)	20,329,238.62	
Foreign Exchange Adjustments	197,308.66	23,847,484.40
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Earnings for the year before Tax Credits 9,039,208.26

Excess Profits Taxes in the United States
and Canada Refundable After the War 1,439,642.73

Net Earnings for the Year 10,478,850.99

Less:

Provision for Post-War Contingencies 1,439,642.73

Balance of Net Earnings credited to Surplus 9,039,208.26

Earned Surplus December 31, 1943 9,725,414.98

Transferred from Insurance and Contingent Reserve 5,000,000.00

Less: 23,764,623.24

Preferred Dividends Paid	\$1,736,315.00	
Common Dividends Paid	5,660,503.20	
Common Dividend, Payable January 15, 1945	1,886,834.40	9,283,652.60
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Write-off of intangibles 4,713,616.20 13,997,268.80

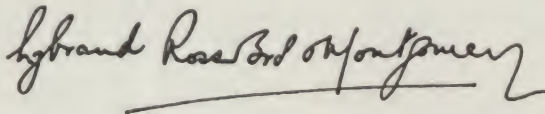
Earned Surplus December 31, 1944 \$9,767,354.44

REPORT OF AUDITORS

To the Stockholders of
NATIONAL BISCUIT COMPANY,
NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its subsidiary companies as of December 31, 1944, and the consolidated statement of income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to confirm receivables from United States Government departments and agencies, as to which we have satisfied ourselves by means of other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of income and surplus present fairly the consolidated position of National Biscuit Company and its subsidiary companies at December 31, 1944, and the consolidated results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent (except for the write-off of intangibles, in which we concur) with that of the preceding year.



Lybrand Rose Brodsky Montgomery

New York, N. Y.

February 5, 1945

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